

To: WUE Subcommittee Participants
From: Tom Gohring, WUE Element Program Manager
Date: September 4, 2002
Re: Draft Funding Policy Principles

Attached please find material intended to facilitate the WUE Subcommittee's deliberations related to WUE implementation funding.

The document, *Draft WUE Implementation Funding Policy Principles and Associated Activities*, is intended to help guide the way CALFED and its implementation partners handle funding and allocation issues related to the WUE Element. This document is informed by the Subcommittee's August 8 deliberations and an August 28 Staff Work Group teleconference. Stakeholder participants in the Staff Work Group included: Fran Spivy-Weber, Bill Jacoby, Richard Harris, Mary Ann Dickinson, Roberta Borgonovo, Bill Miller and Cheryl Munoz. Other participants included Tracy Slavin, Lucille Billingsley, Tom Gohring, Scott McCreary and Bennett Brooks.

A second document, *CALFED Water Use Efficiency – Financial Summary*, is to be distributed under separate cover by Tom Gohring. This document will provide a summary of expected and actual WUE funding levels and allocations. This material, first presented and reviewed at the Subcommittee's August 8 meeting, will be updated to: (1) highlight key points; and, (2) clarify questions raised around local share, funding years and other topics.

Please review the attached document carefully and come to the September 11 meeting prepared to propose any suggested revisions, with the goal of forwarding this material to the BD-PAC for consideration at its September 19 meeting.

CALFED Bay-Delta Program

Water Use Efficiency Implementation Funding Draft Policy Principles and Associated Activities

(Reviewed and revised based on August 28 Staff Work Group; for discussion and further revision at September 11 WUE Subcommittee meeting, with the goal of forwarding to the BD-PAC for consideration at its September 19 meeting)

The CALFED Record of Decision (ROD) stipulated funding levels and activities to guide implementation of the Water Use Efficiency (WUE) Element, which is committed to funding locally driven projects expected to achieve CALFED benefits in a cost-effective and scientifically sound manner.¹ The ROD anticipated that some funding issues would need to be resolved and called for development of a WUE finance proposal and determination of WUE funding needs.

As the CALFED program moves forward, these existing ROD commitments and variations in local, state and federal funding levels necessitate articulation of a clear set of principles to guide the ongoing allocation decisions within WUE and across all CALFED Program elements. Below are a set of draft principles – and associated activities – to guide such decision-making as it relates to the CALFED WUE Element and its implementation partners.

- Principle 1:** Fund the Water Use Efficiency Element in balance with other CALFED Program elements.
- Principle 2:** Consider and integrate the full range of sources and strategies when identifying potential local, state and federal WUE funding sources. These could include: (1) accessing ROD-stipulated funding streams; (2) identifying new funding sources, such as bonds, user fees, etc.; and, (3), reallocating existing state and federal monies.
- Principle 3:** Recognize local investments in WUE-related projects and endeavor to determine the benefits towards meeting Bay-Delta objectives. Local investments will be tracked over time to determine the share of local contributions.
- Principle 4:** Stay consistent with the local, state and federal funding ratios included in the ROD for the WUE Element, while striving to keep WUE activities fully funded.

¹ CALFED WUE funding is focused primarily on local water conservation and recycling projects expected to yield real water savings, flow/timing, or water quality benefits. In its first two years, the WUE Element has funded dozens of agricultural and urban water use efficiency projects. Examples of funded projects include: voucher incentive program for clothes washers, efficient landscape water programs, buried drip irrigation and water recycling construction programs. The CALFED ROD indicated that full funding for the WUE Element could result in between 1.0 and 1.35 million acre-feet savings during Stage 1. Substantial investment in science and monitoring activities is required to refine these projections and confirm actual savings over time.

- Principle 5:** Allocate funding in a manner that is transparent, accountable and driven by CALFED objectives.
- Principle 6:** Execute WUE responsibilities in a manner consistent with the ROD implementation Memorandum of Understanding.
- Principle 7:** Consistent with CALFED's "Beneficiary Pays" Solution Principle, CALFED expects that local entities will invest in locally cost-effective WUE projects before seeking CALFED grant funding. CALFED agencies will strive to provide grant funding for those local projects expected to generate CALFED benefits in a manner that is most cost-effective from a statewide perspective.
- Principle 8:** Ensure significant funding to the Water Use Efficiency Element during the early years of CALFED implementation, as its activities are expected to: (1) generate early documented benefits needed to meet CALFED goals; and (2) facilitate WUE-specific Year Four assessments and CALFED-wide Year Seven decision-making. This principle necessitates, in particular, timely funding of both grant- and loan-funded local projects and scientifically based performance measures, monitoring and analysis.
- Principle 9:** Allocate funding across WUE Element tasks in a manner that: (1) targets grant funding to local entities to facilitate early results; (2) enables balanced implementation of WUE-specific ROD commitments related to grant and loan funding, assurances, and sound science; (3) provides balanced funding to the different WUE components; and, (4) accounts for appropriate work plan adjustments based on program implementation experience.

The pursuit of these policy principles demands an ongoing analysis of WUE-related funding appropriations, allocations and activities. Below is a brief listing of related activities that are expected to facilitate stakeholder and policy-maker review of WUE and implementation partner funding decisions.

Task 1: Perform a comprehensive review of WUE funding sources

Sub-Task 1: Analyze funding ratios among local, state and federal sources

Sub-Task 2: Analyze funding levels relative to ROD commitments

Sub-Task 3: Analyze and define funding sources, particularly as it relates to local users

Task 2: Perform a comprehensive review of the need for sound science in development of water use efficiency measures called for in the ROD.

Sub-Task 1: Prepare a comprehensive list of the scientific analysis needs anticipated to assure implementation of the ROD.

Sub-Task 2: Complete a review of progress to-date in meeting those scientific needs.

Sub-Task 3: Complete an assessment of the future scientific needs, along with the anticipated costs for implementation of the studies.

Task 3: Perform a comprehensive review of WUE-related funding allocation decisions by task, by component and by ROD commitments

Sub-Task 1: Analyze expected benefits/results based on current funding allocations

Sub-Task 2: Analyze projected shortfalls/ramifications based on current funding allocations

Task 4: Review CALFED and implementation partners' process for making funding allocation decisions

Sub-Task 1: Analyze decision-making priorities, processes and associated public involvement

Task 5: Develop and implement a comprehensive plan to ensure adequate funding for the WUE Element

Sub-Task 1: Based on analysis, project future funding mix needs and allocation priorities

Sub-Task 2: Identify new funding sources and re-allocations opportunities

Sub-Task 3: Develop recommendations to guide future strategies for: (1) advocating for adequate funding with funding agencies, legislators and the public; and, (2) making allocation decisions by CALFED and its implementation partners